

VZCZCXRO9075
RR RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV
DE RUEHWR #0910 2120548
ZNR UUUUU ZZH
R 300548Z JUL 08
FM AMEMBASSY WARSAW
TO RUEHC/SECSTATE WASHDC 6843
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEATRS/DEPT OF TREASURY WASHDC
RUCPDOG/USDOC WASHDC
RUEHKW/AMCONSUL KRAKOW 2143

UNCLAS WARSAW 000910

SIPDIS

STATE FOR EUR/NCE, EUR/ERA
USDOC FOR 4232/ITA/MAC/EUR/JBURGESS, JKIMBALL, MWILSON
TREASURY FOR MGAERTNER

E.O. 12958: N/A
TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [PL](#)
SUBJECT: INVESTMENT IN POLAND

¶1. Summary: Inflows into Poland from foreign direct investment continue at sustained, high levels. In 2007, FDI was estimated at USD 18.5 billion. EU funds accounted for another USD 10.1 billion, and remittances for USD 4.3 billion. Poland continues to be attractive to investors, although some analysts worry that rising wages, a smaller pool of available skilled workers and the appreciating zloty may push investors to look further east. End summary.

Continuing High Levels of FDI

¶2. According to preliminary data from the National Bank of Poland, in 2007 FDI totaled PLN 50.9 billion (USD 18.5 billion). In PLN terms, that was a 15 percent drop from 2006 (less in dollar terms, due to strong appreciation of the zloty).

-- Reinvested profits continue to be the main component of FDI; they accounted for over 40 percent of the total.

-- The share of FDI attributable to privatization remains negligible. In 2007, proceeds from privatization accounted for less than one percent of FDI.

¶3. A shift in FDI from the industrial sector to the services sector continues. Data for 2007 are not yet available, but in 2006 services accounted for about 70 percent of FDI. In contrast, the share of industrial processing in FDI -- about 80 percent in the early '90s -- declined to 25 percent by 2006.

¶4. Although the focus of FDI has shifted from new entrants to re-investment by companies already operating in Poland, Poland continues to be attractive to investors. For example, Ernst and Young's "Attractiveness Survey 2008" ranked Poland as the most attractive place for investment in Europe. Consulting firm A.T. Kearney recently rated Poland as one of the three most attractive places for FDI in eastern Europe. The Federation of European Employers' ranked Poland tops among the EU-27 from a human resources perspective, citing Poland's labor supply, labor relations and labor flexibility.

EU funds and private transfers

¶5. FDI is not the only source of foreign funds flowing into Poland. In 2007, Poland received PLN 28 billion (USD 10.1 billion) in transfers from the EU. Over the course of the current 2007-2013 commitment period, Poland expects to receive a total of EUR 67.3 billion.

Remittances

¶6. The third large source of foreign money flows into Poland is remittances from Poles working abroad. According to the National Bank, in 2007, remittances totaled PLN 11.8 billion (USD 4.3 billion), up 29 percent in PLN terms from 2006.

Possible Storm Clouds

¶7. While the overall situation regarding investment in Poland remains very positive, some analysts do worry about risk factors on the horizon. Experts from the Foreign Trade Institute expect income from FDI in 2008 to be lower than in 2006 or 2007. They also predict a shift of FDI further to the east as labor costs increase in Poland, availability of skilled workers declines, the zloty appreciates, and the EU "accession effect" fades away.